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SUBJECT: Canada's Green Investments in its Stimulus Package

Ref:(A)State 26022

Summary

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1. Begin Summary: Canada's federal budget for FY 2009 (April 1, 2009 to March 31, 2010) introduced on January 29, 2009 announced approximately C\$3.64 billion dollars (USD\$2.97 billion at current exchange rates) for "Green Spending"; the Budget was passed on March 12, 2009. The federal budget for FY2009 contained within it the government's "stimulus" elements. The figure of C\$3.64 billion is misleading, as the spending is generally over two years (FY 2009 and FY 2010) and some spending is actually spread over 5 years. Moreover, much of the stimulus funds that are counted as "Green"; such as C\$1 billion for "renovation and energy refit to social housing" may be spent less on green (energy refitting) and more on brown (wood, shingles etc. for renovation). Of the C\$3.64 billion of "Green Spending" announced by the government, only C\$1.19 billion has actually been appropriated to date. End Summary.

List of "Green Spending" Target Investments

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2. Canada's FY 2009 Budget tabled on January 29, 2009, listed seven targeted "green" investments for a total of \$C3.64 billion (USD\$2.97 billion); actual expenditures are, however, spread over multiple years. Some of the funding is for brand new initiatives, some is augmented funding for existing programs, and some appears to be re-announcements of funding already planned for but simply accelerated.

- C\$1 billion for green infrastructure projects. (New Funding. C\$200 million a year over five years beginning in FY 2009).
- C\$1 billion over two years for renovation and energy efficiency retrofits to social housing. (New Funding. C\$500 million a year for two years beginning in FY 2009)
- C\$300 million over two years to the ecoENERGY Retrofit program. (Additional Funding; an increase of C\$150 million per year beginning FY 2009).
- C\$1 billion for the Clean Energy Fund for clean energy research, development and demonstration projects. (New Funding - details to be announced in coming months)
- C\$87 million over two years for the Arctic Research Infrastructure Fund. (New. To maintain or upgrade key existing research facilities in the Arctic.)
- C\$245 million over two years for the cleanup of federal contaminated sites. (Planned work which will be accelerated).
- C\$10 million to improve government environmental reporting through the "Canadian Environmental Sustainability Indicators" which

produce "a coherent set of indicators on water quality, air quality, and greenhouse gas emissions over time. (Ongoing expenditure)

¶3. In addition, although not trumpeted as "Green Spending", the government's budget also plans funding increases for rail transport and nuclear energy, in particular:

-- C\$407 million for improvements to VIA Rail service. The federal government subsidizes VIA to the tune of about C\$150 million in operating subsidies annually, and over the past two years has provided additional funds (about C\$150 million per year) for upgrades to rolling stock and facilities. This additional funding is to supplement those funds for upgrades.

-- C\$351 million for Atomic Energy of Canada Limited (AECL) for development of the "Advanced CANDU Reactor" and for AECL operations at its Chalk River laboratories where the bulk of the world's Qat its Chalk River laboratories where the bulk of the world's medical isotopes are produced. GoC funding for AECL over the past few years has been in the range of C\$110 to C\$150 million annually. The FY 2009 amount appears to be a significant increase.

¶4. And some of the proposed C\$14 billion in infrastructure spending in FY2009 and FY2010 (this is over and above the C\$3.64 noted in para 2) will be on mass transit, typically counted as a "green" investment; for example:

-- C\$350 million for the Evergreen Transit Line in Vancouver BC. (Planned work for which funding has been accelerated).

¶5. Canada's Budget Implementation Act for FY2009, Bill C-10, became law on March 12 and specifically allocated certain stimulus payments, including C\$200 million for the "Green Infrastructure

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Fund" and C\$500 million for "Renovation and Energy Retrofits" to social housing; as well as C\$2 billion for immediate infrastructure spending from which some mass transit funding will flow. The other monies noted above are being allocated via the typical GoC budgetary mechanisms of departmental "Main Estimates" that flow through the Treasury Board (akin to OMB in the United States) to Parliament where they are reviewed and funds are allocated quarterly to departments and agencies and programs. No details are yet available on when the announced C\$1 billion dollar "Clean Energy Fund" will be financed. Thus, of the GoC's proposed C\$3.64 Billion in "Green Spending" (para 2) announced in its FY 2009 budget, only C\$1.19 billion has actually been appropriated so far, and in the case of the Green Infrastructure Fund, although allocated, those funds will not actually flow until the autumn after a system is put in place to accept and vet green infrastructure proposals.

Fossils Fuels and Carbon Sequestration  
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¶6. Also announced in the FY 2009 budget is a proposed tax break, an accelerated "Capital Cost Allowance for Carbon Capture and Storage" which the government intends to develop over the next few months. The government has "committed to undertake consultations with stakeholders to identify specific assets used in carbon capture and storage with a view to providing accelerated capital cost allowance in respect of such investments." The value of this tax break cannot yet be determined.

¶7. The GoC's Budget also touted its support for "Promoting Energy Development in Canada's North," and Budget 2009 provides C\$37.6 million in 2009-10 to departments and agencies "in support of environmental assessments, regulatory coordination, science, and Aboriginal consultations related to the Mackenzie Gas Project."

Conclusion  
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¶8. The Canadian budget process, this year an amalgam of the typical budget upon which has been grafted a large supplementary budget request, has made it a challenge to parse out what has been promised from what has actually been appropriated so far. We have been able

to determine that the Canadian budget/stimulus package touches on almost all of the stimulus themes noted reftel, although the Canadian programs do not line-up cleanly with the list of areas noted reftel. A rough accounting is provided below of which funding mechanisms would seem to apply to which theme:

-- Renewable Energy - A portion of a C\$1 billion "Green Infrastructure Fund" and a portion of the proposed C\$1 billion "Clean Energy Fund."

-- Energy Efficiency - A portion of C\$1 billion for renovation and energy efficiency retrofits to social housing and all of the C\$300 million to the ecoENERGY Retrofit program.

-- Research and Development - A portion of the proposed C\$1 billion "Clean Energy Fund" and a portion of the C\$351 million for Atomic Energy of Canada Limited (AECL) for development of the "Advanced CANDU Reactor."

-- Improvements to the Power Grid - A portion of a C\$1 billion "Green Infrastructure Fund" and a portion of the proposed C\$1 billion "Clean Energy Fund."

-- Low carbon transportation, including incentives for industry and consumers - Enhancements to mass transit, bicycle paths, etc. through general infrastructure monies; and a portion of the C\$407 million for improvements to VIA Rail inter-city service.

-- Mass Transit - through general infrastructure monies.

-- Oil, Gas and Coal - C\$37.6 million to support planning for the Mackenzie Gas Pipeline from the Northwest Territories.

-- Nuclear Energy - A portion of the C\$351 million for Atomic Energy of Canada Limited (AECL).

-- Forestry - C\$70 million in FY2009, part of an on-going multi-year package in support of market diversification and innovation

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initiatives for the forestry sector.

-- Incentives to reduce use to Fossil Fuels - Nothing specifically.

-- Green Jobs/Green Worker Training - Would be subsumed in the broader "Skills and Transitioning" effort worth about C\$8 billion over two years.

-- Greenhouse Gas Emissions/Carbon Sequestration - A proposed Accelerated Capital Cost Allowance for Carbon Capture and Storage assets, a portion of a C\$1 billion "Green Infrastructure Fund" and a portion of the proposed C\$1 billion "Clean Energy Fund."

Breese